## House Study Bill 67 - Introduced

SENATE/HOUSE FILE \_\_\_\_\_ BY (PROPOSED DEPARTMENT OF REVENUE BILL)

## A BILL FOR

- 1 An Act updating the Code references to the Internal Revenue
- 2 Code and decoupling from certain federal bonus depreciation
- 3 provisions, and including effective date and retroactive
- 4 applicability provisions.
- 5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I

- 2 INTERNAL REVENUE CODE REFERENCES
- Section 1. Section 15.335, subsection 7, paragraph b, Code 3
- 4 2015, is amended to read as follows:
- b. For purposes of this section, "Internal Revenue Code"
- 6 means the Internal Revenue Code in effect on January 1, 2014 7 2015.
- 8 Sec. 2. Section 422.3, subsection 5, Code 2015, is amended
- 9 to read as follows:
- 5. "Internal Revenue Code" means the Internal Revenue Code 10
- 11 of 1954, prior to the date of its redesignation as the Internal
- 12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
- 13 the Internal Revenue Code of 1986 as amended to and including
- 14 January 1, 2014 2015.
- Sec. 3. Section 422.9, subsection 2, paragraph i, Code 2015, 15
- 16 is amended to read as follows:
- i. The deduction for state sales and use taxes is allowable 17
- 18 only if the taxpayer elected to deduct the state sales and use
- 19 taxes in lieu of state income taxes under section 164 of the
- 20 Internal Revenue Code. A deduction for state sales and use
- 21 taxes is not allowed if the taxpayer has taken the deduction
- 22 for state income taxes or claimed the standard deduction under
- 23 section 63 of the Internal Revenue Code. This paragraph
- 24 applies to taxable years beginning after December 31, 2003, and
- 25 before January 1, 2008, and to taxable years beginning after
- 26 December 31, 2009, and before January 1, <del>2014</del> 2015.
- 27 Sec. 4. Section 422.10, subsection 3, paragraph b, Code
- 28 2015, is amended to read as follows:
- b. For purposes of this section, "Internal Revenue Code" 29
- 30 means the Internal Revenue Code in effect on January 1, 2014 31 2015.
- Sec. 5. Section 422.32, subsection 1, paragraph h, Code 32
- 33 2015, is amended to read as follows:
- h. "Internal Revenue Code" means the Internal Revenue Code
- 35 of 1954, prior to the date of its redesignation as the Internal

- 1 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
- 2 the Internal Revenue Code of 1986 as amended to and including
- 3 January 1, 2014 2015.
- 4 Sec. 6. Section 422.33, subsection 5, paragraph e,
- 5 subparagraph (2), Code 2015, is amended to read as follows:
- 6 (2) For purposes of this subsection, "Internal Revenue Code"
- 7 means the Internal Revenue Code in effect on January 1, 2014
- 8 2015.
- 9 Sec. 7. EFFECTIVE UPON ENACTMENT. This division of this
- 10 Act, being deemed of immediate importance, takes effect upon
- 11 enactment.
- 12 Sec. 8. RETROACTIVE APPLICABILITY. This division of this
- 13 Act applies retroactively to January 1, 2014, for tax years
- 14 beginning on or after that date.
- 15 DIVISION II
- 16 BONUS DEPRECIATION
- 17 Sec. 9. Section 422.7, subsection 39A, unnumbered paragraph
- 18 1, Code 2015, is amended to read as follows:
- 19 The additional first-year depreciation allowance authorized
- 20 in section 168(k) of the Internal Revenue Code, as enacted by
- 21 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
- 22 No. 111-240, §2022, Pub. L. No. 111-312, §401, and Pub. L. No.
- 23 112-240, §331, and Pub. L. No. 113-295, §125, does not apply in
- 24 computing net income for state tax purposes. If the taxpayer
- 25 has taken the additional first-year depreciation allowance
- 26 for purposes of computing federal adjusted gross income, then
- 27 the taxpayer shall make the following adjustments to federal
- 28 adjusted gross income when computing net income for state tax
- 29 purposes:
- 30 Sec. 10. Section 422.35, subsection 19A, unnumbered
- 31 paragraph 1, Code 2015, is amended to read as follows:
- 32 The additional first-year depreciation allowance authorized
- 33 in section 168(k) of the Internal Revenue Code, as enacted by
- 34 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
- 35 No. 111-240, §2022, Pub. L. No. 111-312, §401, and Pub. L. No.

- 1 112-240, §331, and Pub. L. No. 113-295, §125, does not apply in
- 2 computing net income for state tax purposes. If the taxpayer
- 3 has taken the additional first-year depreciation allowance for
- 4 purposes of computing federal taxable income, then the taxpayer
- 5 shall make the following adjustments to federal taxable income
- 6 when computing net income for state tax purposes:
- 7 Sec. 11. EFFECTIVE UPON ENACTMENT. This division of this
- 8 Act, being deemed of immediate importance, takes effect upon
- 9 enactment.
- 10 Sec. 12. RETROACTIVE APPLICABILITY. This division of this
- 11 Act applies retroactively to January 1, 2014, for tax years
- 12 ending on or after that date.
- 13 EXPLANATION
- 14 The inclusion of this explanation does not constitute agreement with
- the explanation's substance by the members of the general assembly.
- 16 This bill updates the Iowa Code references to the Internal
- 17 Revenue Code to make federal income tax revisions enacted by
- 18 Congress in 2014 applicable for Iowa income tax purposes, and
- 19 decouples with certain bonus depreciation provisions.
- 20 DIVISION I INTERNAL REVENUE CODE REFERENCES. The
- 21 division amends Code sections 422.3 and 422.32, general
- 22 definition sections in the chapter of the Code that governs
- 23 corporate and individual income tax and the franchise tax
- 24 on financial institutions, to update the references to the
- 25 Internal Revenue Code.
- The division amends Code sections 15.335, 422.10, and 422.33
- 27 to update the references to the Internal Revenue Code for the
- 28 state research activities credit for individuals, corporations,
- 29 and corporations in economic development areas to include the
- 30 federal changes to the research activities credit and the
- 31 alternative simplified research activities credit.
- 32 Code section 422.9 provides individuals a deduction from net
- 33 income for state sales and use taxes if the individual chose
- 34 to deduct sales and use tax in lieu of state income taxes or
- 35 the standard deduction for federal income tax purposes. This

- 1 deduction was set to expire under both federal and Iowa law for
- 2 tax years beginning on or after January 1, 2014. The federal
- 3 Tax Increase Prevention Act of 2014 extended the federal
- 4 deduction for the 2014 tax year. This division extends the
- 5 Iowa deduction for the 2014 tax year.
- 6 Division I takes effect upon enactment and applies
- 7 retroactively to January 1, 2014, for tax years beginning on
- 8 or after that date.
- 9 DIVISION II BONUS DEPRECIATION. The division decouples,
- 10 for Iowa income tax purposes, from the federal additional
- 11 first-year depreciation allowance in section 168(k) of the
- 12 Internal Revenue Code which was extended through 2014 by the
- 13 federal Tax Increase Prevention Act of 2014.
- 14 Division II takes effect upon enactment and applies
- 15 retroactively to January 1, 2014, for tax years ending on or
- 16 after that date.